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CITY OF SANTA CLARA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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CITY OF SANTA CLARA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Members of the City Council
City of Santa Clara, California

We have audited the basic financial statements of the City of Santa Clara, as of and for the year ended June 30, 2009, and have issued our report thereon, dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Santa Clara's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor and City Council, the City's management, federal awarding agencies, pass-through entities and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California
December 7, 2009



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH UNITED STATES OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133

The Honorable Mayor and Members of the City Council
City of Santa Clara, California

Compliance

We have audited the compliance of the City of Santa Clara, California with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Santa Clara's major federal programs are identified in the summary of auditor's results section. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Santa Clara's management. Our responsibility is to express an opinion on the City of Santa Clara's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Santa Clara's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Santa Clara's compliance with those requirements.

In our opinion, the City of Santa Clara complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the City of Santa Clara is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Santa Clara's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Santa Clara's internal control over compliance.

A *control deficiency* in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City of Santa Clara as of and for the year ended June 30, 2009, and have issued our report thereon, dated December 7, 2009. Our audit was performed for the purpose of forming opinions on the basic financial statements of the City of Santa Clara taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor and City Council, the City's management, federal awarding agencies, pass-through entities and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California
February 17, 2010

CITY OF SANTA CLARA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Grant Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant	B-07-MC-06-0022		
Program Expenditures	B-08-MC-06-0022		\$ 1,304,700
Loan Program: Current Year Loan Additions			314,082
Total Community Development Block Grant		14.218	<u>1,618,782</u>
Home Investment Partnerships Program	M-05-MC-06-0217		
Program Expenditures	M-06-MC-06-0217		214,082
Loan Program: Current Year Loan Additions	M-07-MC-06-0217		393,937
Total Home Investment Partnerships Program		14.239	<u>608,019</u>
Total U.S. Department of Housing and Urban Development			<u>2,226,801</u>
<u>U.S. Department of Justice</u>			
Passed through County of Santa Clara Office of the County Executive:			
Edward Byrne Memorial Justice Assistance Grant Program	2005-DJ-BX-1720	16.738	13,810
Edward Byrne Memorial Justice Assistance Grant Program	2006-DJ-BX-1883	16.738	9,560
Passed through the Office of Justice Programs:			
National Institute of Justice Research, Evaluation, and Development	2008-DN-BX-K305	16.560	<u>33,616</u>
Total U.S. Department of Justice			<u>56,986</u>
<u>U.S. Department of Transportation</u>			
Passed through State of California Department of Transportation:			
Highway Planning and Construction	RPSTPLE-5019(017)	20.205	941,218
Passed through State of California Office of Traffic Safety:			
State and Community Highway Safety	ALO632	20.600	1,940
Passed through County of Santa Clara Office of the Sheriff:			
State and Community Highway Safety	AL0456	20.600	3,996
State and Community Highway Safety	AL0456	20.600	<u>1,265</u>
Total U.S. Department of Transportation			<u>948,419</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF SANTA CLARA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2009

U.S. Department of Education

Passed through State of California Department of Education: Even Start State Educational Agencies	08-14331-2027-01	84.213C	<u>124,200</u>
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U.S. Department of Health and Human Services

Passed through County of Santa Clara Social Services Agency and the Council on Aging of Santa Clara County, Inc.: Special Programs for the Aging - Title III, Part C Nutrition Services	SNP03015	93.045	<u>122,204</u>
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U.S. Institute of Museum and Library Services

Passed through California State Library: Grants to States	LSTA40-6922	45.310	<u>6,329</u>
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U.S. Department of Homeland Security

Passed through California Emergency Management Agency: FY05 Pre-Disaster Mitigation Competitive Grant	2005-0011, P#PJ96, OES#085-69084	97.047	668,934
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Passed through County of Santa Clara Office of Emergency Services: Emergency Management Performance Grant	FY08 EMPG	97.042	17,557
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Passed through California Task Force 3 Urban Search and Rescue: National Urban Search and Rescue Response System	CA-TF3	97.025	62,311
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Passed through County of Santa Clara Office of Emergency Services: Homeland Security Grant Program	HSGP FY 07 & FY 08	97.067	70,789
Homeland Security Grant Program	(1)	97.073	69,766

Commercial Equipment Direct Assistance Program	(1)	97.096	<u>12,000</u>
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Total U.S. Department of Homeland Security			<u>901,357</u>
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Total Expenditures of Federal Awards			<u>\$4,386,296</u>
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(1) Grant identifying number not available.

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF SANTA CLARA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Santa Clara, California (City). The City's reporting entity is defined in Note #1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the City are included in the accompanying schedule.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting, which is described in Note #1 of the City's basic financial statements.

C. Relationship to Basic Financial Statements

Federal awards revenues are generally reported within the City's basic financial statements under the financial statement caption "Intergovernmental Revenue" for the General and Special Revenue Funds.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

CITY OF SANTA CLARA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

E. Subrecipients

The City of Santa Clara provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant Program Expenditures	14.218	\$ 196,574
Community Development Block Grant Capital Improvement Projects Expenditures	14.218	59,963
Home Investment Partnership Program Capital Improvement Projects Expenditures	14.239	200,000
Even Start State Educational Agencies	84.213C	<u>98,482</u>
Total		<u>\$ 555,019</u>

CITY OF SANTA CLARA

SUMMARY OF AUDITORS RESULTS FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified that are not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified that are not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u>No</u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u>97.047</u>	<u>FY05 Pre-Disaster Mitigation Competitive Grant</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

CITY OF SANTA CLARA

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

CITY OF SANTA CLARA

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

CITY OF SANTA CLARA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

2008-1 DAVIS-BACON ACT

Federal Agency: Department of Transportation
Passed through State of California Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205

Condition

One subcontractor who worked on construction contracts in excess of \$2,000, financed by federal assistance under the Highway Planning and Construction Program, paid less than the established prevailing wage rate for the locality of the related projects. The total difference between the wages paid and prevailing wage was \$8,727. This amount has since been paid to the employees.

Criteria or Specific Requirements

The Davis-Bacon Act requires that all laborers and mechanics employed by contractors and subcontractors working on construction projects in excess of \$2,000 funded by federal assistance be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.

Effect

The City is at risk of losing future federal funding if contractor and subcontractor are not paying a proper federal prevailing wage.

Questioned Costs

None.

Cause

Although the City has written policies and procedures in place to monitor compliance over Davis-Bacon Act, these were not followed for one contract under the Highway Planning and Construction federal program.

Recommendation

We recommend that the City of Santa Clara expand its written policies and procedures emphasizing the monitoring of contractors and subcontractors compliance with the Davis-Bacon Act.

Management Response

The subcontractor has paid the \$8,727 to employees. The City has modified the Finance department monitoring procedures to include meeting with the City's project managers to review the grant regulations and compliance requirements and the City's responsibilities under the grant agreement. The City project managers will use the Federal Guidelines Local Assistance Procedures Manual (LAP) Checklist for Construction Contracts.

The project managers will also spot check the certified payrolls to insure that the applicable Davis-Bacon prevailing wage rates are paid.

Current Status

Implemented